



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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December 13, 2004

TO: Senator Lisa Brown, Chair
Senator Joseph Zarelli
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FROM: Chang Mook Sohn, Executive Director
Economic and Revenue Forecast Council

SUBJECT: December 10, 2004 REVENUE COLLECTION REPORT

Revenue was again better than expected this month. General Fund-State receipts totaled \$1,256.6 million in the November 11 – December 10, 2004 collection period. This was \$11.9 million (1.0 percent) above the estimate for the period. Stronger than expected Revenue Act (retail sales, business and occupation, use and public utility taxes) taxes (+\$16.2 million), and “other” revenue (+\$5.6 million), mostly unclaimed property transfers to the General Fund, more than offset weaker than expected estate (-\$2.4 million) and property tax (-\$8.6 million) collections for the month.

Revenue growth was very strong this month while the economy was rather mediocre. The U.S. economy added only 112,000 jobs in November and the October employment number was revised downward. The November jobs number was less than expected and the weakest number since August. In addition, U.S productivity growth slowed in the third quarter and the U.S. Index of Leading indicators fell in November for the fifth straight month. Consumer confidence also declined in October and November; however it may have risen in December. At the state level, employment increased in September, October and in November although the gains in October and November were a little less than we had expected in the November forecast.

Revenue growth accelerated this month. Revenue Act receipts were 9.2 percent higher than a year-ago this period (primarily reflecting October business activity). This was the strongest growth since March. Last month Revenue Act receipts were up a strong 7.6 percent. Revenue Act receipts were 6.2 percent higher than a year-ago in the third quarter as a whole and Revenue Act receipts increased 5.2 percent in the second quarter. Consumers and business spending remains at a stronger than expected pace as job growth and a strong housing market continue to more than offset the impact of higher gas prices. However, anecdotal evidence of holiday spending is mixed and indicates that consumers are cautious and revenue growth may slow a bit.

Preliminary industry data for the November 11 to December 11, 2004 collection period based on payment data of more than 13,660 mostly large taxpayers who filed electronically, show a 5.7 percent increase in tax payments of businesses in the retail trade and food services sector. Last month retailers reported an 8.9 percent gain. All three-digit retail sectors reported increases, with the exception of food and beverage stores which reported a 3.2 percent decline in payments. Double digit gains were reported by electronics and appliance retailers (+17.4 percent), gas stations and convenience stores (+16.2 percent), building materials/garden retailers (+13.0 percent), apparel and accessories stores (+11.6 percent) and furniture and home furnishings retailers (+11.4 percent). Tax payments by auto dealers were up 4.5 percent. Overall, tax payments by non-retail trade and food services business were up 5.6 percent this month. Last month this category reported a 3.5 percent increase. The construction sector was still strong, reporting a 7.4 percent increase in tax payments for the period.

Non-Revenue Act General Fund taxes collected by the Department of Revenue were \$4.4 million below the estimate for the month. Weaker than expected Property tax (-\$8.6 million) and estate tax (-\$2.4 million) more than offset stronger than expected timber tax transfers (+\$1.0 million), "other" receipts (+5.6 million, mostly unclaimed property transfers). Real estate excise tax receipts were close to the estimate this month.

The growth of real estate excise activity, while still quite strong, decelerated again this month. Taxable activity (based on closings in October which reflect tax payments to the state in November) was 9.8 percent higher than a year-ago, the weakest increase since February. Growth last month was 19.2 percent and it was 20.7 percent two months ago. The strength in real estate activity continues to be driven by higher prices. In the most recent month, transactions were 6.6 percent below the year-ago while the value per transaction increased 16.8 percent. Real estate activity is expected to continue to weaken in the forth quarter if mortgage rates rise as expected.

Department of Licensing General Fund-State collections, which primarily reflect payments of various licenses and fees, were \$129,000 above the estimate for the month.

The attached Table 1 provides a comparison of collections with the November 2004 forecast for the November 11 – December 10, 2004 collection period. The variance for the month is virtually the same as the cumulative variance in Table I because the monthly estimates in the November forecast were adjusted to reflect actual collections through November 10, 2004. Table II compares revised collections figures to the preliminary numbers reported in last month's collection report.

CMS: cg

Attachments

TABLE 1
Revenue Collection Report
December 10, 2004 Collections Compared to the November 2004 Forecast
Thousands of Dollars

Period/Source	Estimate*	Actual	Difference Amount	Percent
November 11 - December 10, 2004				
Department of Revenue-Total	\$1,244,209	\$1,256,029	\$11,820	1.0%
Revenue Act** (1)	698,977	715,197	16,221	2.3%
Non-Revenue Act(2)	545,232	540,832	(4,400)	-0.8%
Liquor Sales/Liter	8,600	8,575	(24)	-0.3%
Cigarette	4,166	4,124	(42)	-1.0%
Property (State School Levy)- net after transfer	381,560	372,997	(8,563)	-2.2%
Property tax collections	395,002	386,439	(8,563)	-2.2%
transfer to the Student Achievement Acct.	(13,441)	(13,441)	0	-0.0%
Estate	9,160	6,764	(2,396)	-26.2%
Real Estate Excise	59,752	59,741	(11)	-0.0%
Timber (state share)	1,842	2,854	1,012	54.9%
Other	80,152	85,776	5,624	7.0%
Department of Licensing (2)	456	584	129	28.2%
Total General Fund-State***	\$1,244,664	\$1,256,613	\$11,949	1.0%
Cumulative Variance Since the November 2004 Forecast (November 11, 2004 - December 10, 2004)				
Department of Revenue-Total	\$1,244,209	\$1,256,029	11,820	1.0%
Revenue Act** (3)	698,977	715,197	16,221	2.3%
Non-Revenue Act(4)	545,232	540,832	(4,400)	-0.8%
Liquor Sales/Liter	8,600	8,575	(24)	-0.3%
Cigarette	4,166	4,124	(42)	-1.0%
Property (State School Levy)-net after transfer	381,560	372,997	(8,563)	-2.2%
Property tax collections	395,002	386,439	(8,563)	-2.2%
transfer to the Student Achievement Acct.	(13,441)	(13,441)	0	-0.0%
Estate	9,160	6,764	(2,396)	-26.2%
Real Estate Excise	59,752	59,741	(11)	-0.0%
Timber (state share)	1,842	2,854	1,012	NA
Other	80,152	85,776	5,624	7.0%
Department of Licensing (4)	456	552	97	21.2%
				NA
Total General Fund-State***	\$1,244,664	\$1,256,581	\$11,917	1.0%

1 Collections November 11 - December 10, 2004. Collections primarily reflect October 2004 activity of monthly taxpayers.

2 November 1-31, 2004 collections.

3 Cumulative collections, estimates and variance since the November 2004 forecast; (Nov. 11 - Dec. 10, 2004) and revisions to history.

4 Cumulative collections, estimates and variance since the November forecast; (November 2004) and revisions to history.

* Based on the September 2002 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing), about 97% of total General Fund-State revenue.

TABLE 2
November 10, 2004 Collection Report - Revised Data
Thousands of Dollars

Period/Source	Collections		Difference	
	Preliminary	Revised	Amount	Percent
October 11 - November 10, 2004				
Department of Revenue-Total	\$981,224	\$981,224	\$0	0.0%
Revenue Act (1)	844,435	844,435	(0)	-0.0%
Non-Revenue Act(2)	136,790	136,790	(0)	-0.0%
Liquor Sales/Liter	8,249	8,249	0	0.0%
Cigarette	4,388	4,388	0	0.0%
Property (State School Levy)-net	8,623	8,623	(0)	-0.0%
Property tax collections	30,618	30,618	(0)	-0.0%
transfer to the Student Achievement Acct.	(21,995)	(21,995)	(0)	NA
Estate	9,683	9,683	(0)	-0.0%
Real Estate Excise	60,409	60,409	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	45,438	45,438	0	0.0%
Department of Licensing (2)	572	604	32	5.6%
Lottery (2)	0	0	0	NA
Total General Fund-State***	981,797	981,829	\$32	0.0%

Cumulative Receipts: September 11 - November 10, 2004 & Revisions to History

Department of Revenue-Total	1,792,684	\$1,792,684	(\$0)	-0.0%
Revenue Act (3)	1,572,810	1,572,810	(0)	-0.0%
Non-Revenue Act(4)	219,874	219,874	0	0.0%
Liquor Sales/Liter	16,677	16,677	(0)	-0.0%
Cigarette	9,112	9,112	(0)	-0.0%
Property (State School Levy)-net after transfer	(3,375)	(3,375)	0	-0.0%
Property tax collections	18,620	40,615	21,995	118.1%
transfer to the Student Achievement Acct.	(21,995)	(43,990)	(21,995)	NA
Estate	30,607	30,607	0	0.0%
Real Estate Excise	123,189	123,189	(0)	-0.0%
Timber (state share)	0	(0)	(0)	NA
Other	43,664	43,664	0	0.0%
Department of Licensing (4)	1,326	1,360	34	2.6%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$1,794,010	\$1,794,044	\$34	0.0%

Preliminary. Reported in the November 10, 2004 collection report.

1 Collections October 11 -November 10, 2004. Collections primarily reflect September 2004 business activity of monthl taxpayers and q3,2004 activity of quarterly filers.

2 October 1-31, 2004 collections.

3 Cumulative receipts since the September 2004 forecast: September 11- November 10,2004 & revisions to history.

4 Cumulative receipts since the September 2004 forecast (October) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

Revenue Act Net Collections

Year-over-Year Percent Change

